

Message Text

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PAGE 01 TEGUCI 03970 231955Z

64
ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 AID-20 CIAE-00 FRB-02

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INFO SECSTATE WASHDC 5510
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
MEMBASSY TOKYO)
AMEMBASSY KUALA LUMPUR

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E.O. 11652: N/A
TAGS: ETRD EIND HO JA
SUBJECT: STATUS REPORT: AGALTECA STEEL PROJECT

REF: TEGUCIGALPA 2238 STATE 129634

1. HONDURAN DELEGATION CONSISTING OF MINECON ABRAHAM BENNATON, CENTRAL BANK PRESIDENT ALBERTO GALEANO, AND CABEI PRESIDENT ENRIQUE ORTEZ COLINDRES RETURNED THIS WEEK FROM VISIT TO TOKYO AND MALAYSIA FOR DISCUSSIONS WITH NIPPON STEEL CORPORATION AND GOJ RE ESTABLISHMENT STEEL MILL AT ANALTECA.

2. GOH PUBLIC STATEMENT ISSUED AFTER DELEGATION'S RETURN EXPLAINED THAT NIPPON STEEL HAD DECIDED TO COOPERATE FULLY IN THE AGALTECA PROJECT AND THAT A JAPANESE TECHNICAL MISSION WOULD VISIT HONDURAS IN JANUARY TO WORK OUT DETAILS, INCLUDING AN INCREASE IN PLANNED PRODUCTION FROM 100,000 TONS TO 200,000 TONS. A REVISED FINANCIAL STUDY TAKING INTO ACCOUNT

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PAGE 02 TEGUCI 03970 231955Z

THE CURRENT WORLD MARKET COST SITUATION IS TO BE COMPLETED

BY APRIL 1974 AND NIPPON THEN WILL PROCEED WITH TECHNICAL ASSISTANCE INCLUDING PLANT DESIGN, EQUIPMENT SPECIFICATIONS, TRAINING, ETC.

3. ACCORDING TO THE GOH STATEMENT, NIPPON IS PREPARED TO PARTICIPATE WITH CAPITAL IN THE ENTERPRISE AND DISCUSSIONS CONCERNING FINANCING WHICH BEGAN WITH GOJ AGENCIES DURING THE DELEGATION'S VISIT WILL RESUME AFTER APRIL 1974. THE STATEMENT EXPRESSES GOH SATISFACTION WITH THE OUTCOME OF TALKS WITH THE JAPANESE AND CONCLUDES THAT STEEL WILL START BEING PRODUCED IN HONDURAS BY 1977.

4. COMMENT: THE REALIZATION OF THE AGALTECA PROJECT IS NO DOUBT DEPENDENT UPON FAVORABLE FINANCING ARRANGEMENTS WITH THE JAPANESE, BUT CONSIDERING THE CURRENT WORLD MARKET PRICES FOR STEEL, THE EXECUTION OF THE PROJECT SEEMS MUCH CLOSER TO FRUITION THAN EVER BEFORE.

SANCHEZ

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